

Message Text

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DEPT PASS TREASURY FOR SOLOMON AND SYVRUD

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TAGS: ECON, EAID, PO

SUBJ: FINANCIAL ASSISTANCE TO PORTUGAL; PRESIDENT

EANES EMPHASIZES NEED FOR CONSORTIUM LOAN

1. PRESIDENT EANES SUMMONED ME AT 4:30 TODAY FEB 18 FOR PURPOSE OF DISCUSSING CONSORTIUM LOAN. HE EXPRESSED APPRECIATION FOR CONTINUED USG SUPPORT AND EMPHASIZED GOP DESIRE TO COLLABORATE CLOSELY WITH US ON DEVELOPING CONSORTIUM.

2. EANES SAID THE CONSORTIUM LOAN WAS EXTREMELY IMPORTANT FOR THE FUTURE STABILITY OF PORTUGAL. AS THE GOVERNMENT MOVED TOWARD IMPLEMENTATION OF ITS AUSTERITY PROGRAM THERE WERE UNMISTAKABLE SIGNS OF SOCIAL UNREST. INTELLIGENCE REACHING THE PRESIDENCY INDICATED THAT COMMUNIST PARTY WAS PLANNING AN ALL OUT OFFENSIVE. ACCORDING TO THIS INTELLIGENCE THE COMMUNISTS REALIZE THEY MAY LOSE BUT THEIR STRATEGY IS TO CREATE RENEWED TURMOIL IN PORTUGAL BOTH FOR ITS OWN SAKE AND IN THE HOPE THAT IT WILL DERAIL THE DEMOCRATIZATION
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PROCESS IN SPAIN. IN MILITARY TERMS, THE PRESIDENT SAID, THE COMMUNISTS HAVE DECIDED TO SACRIFICE THEIR FRONTLINE TROOPS AND TO REBUILD FOR THE LONG HAUL IF THEY FAIL. IT IS A LAST DITCH EFFORT.

3. THE COMMUNIST OFFENSIVE CONCENTRATES IN TWO AREAS, HE NOTED: LABOR UNIONS AND THE MILITARY. THE RECENT RASH OF

STRIKES WAS ORCHESTRATED BY THE PCP. THE GOVERNMENT MUST REMAIN FIRM (THE PRESIDENT WAS CRITICAL OF SECRETARY OF STATE FOR FISHERIES PEDRO COELHO FOR VACILLATING; HE ACTED MORE LIKE A COELHO THAN A PEDRO"), AND INTERNATIONAL SUPPORT WAS IMPORTANT IN ENABLING IT TO DO SO. IN THE MILITARY THE PCP WAS BEHIND THE RECENT DISTURBANCE IN ESTREMOZ (SEE DAO IR 6 879 0071 77). EANES SAID HE AND THE CHIEF OF STAFF OF THE ARMY HAD MOVED RAPIDLY TO DEFUSE THE SITUATION BY ARRESTING THE AGITATORS AND REPLACING THE UNIT COMMANDER WITH A MAN OF THEIR CONFIDENCE. NEVERTHELESS HE ANTICIPATED FURTHER INCIDENTS IN THE MILITARY, PARTICULARLY IN THE SOUTHERN REGION.

4. EANES SAID HE HAD RELATED THIS TO UNDERSCORE THE IMPORTANCE OF THE LOAN. THE COMMUNISTS HAD NOT GIVEN UP IN PORTUGAL. ONLY THE LOAN COULD GIVE THE GOVERNMENT THE FLEXIBILITY IT NEEDS TO IMPOSE AN ECONOMIC AUSTERITY PROGRAM WITHOUT OFFERING RENEWED OPPORTUNITIES FOR THE PCP. EANES NOTED IN PASSING THAT PCP SECRETARY GENERAL CUNHAL HAD COMPLAINED TO HIM ABOUT THE LOAN, AND HE HAD RESPONDED BY TELLING HIM TO GO GET LOANS FROM THE COMMUNIST COUNTRIES IF HE COULD. EVERYONE KNOWS, EANES SAID, THAT THE COMMUNISTS HAVE NEITHER THE DESIRE NOR THE CAPACITY TO HELP PORTUGAL. INDEED, THEY NEED LOANS THEMSELVES FROM THE WEST.

5. I OBSERVED THAT THE PRESIDENT'S ANALYSIS REINFORCED OUR VIEW THAT THE PARTICIPATION OF OTHER COUNTRIES WAS ESSENTIAL TO THE SUCCESS OF THE LOAN; OTHERWISE PORTUGAL WOULD BE PERCEIVED AS DEPENDING TOO HEAVILY ON THE US. THE
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PRESIDENT SAID HE DID NOT REGARD THIS AS A MAJOR PROBLEM OVER THE LONG RUN, BUT OUR ANALYSIS WAS QUITE CORRECT AS LONG AS THE GOVERNMENT DID NOT HAVE THE INFORMATION CAPABILITY TO EXPLAIN TO THE PORTUGUESE PEOPLE WHAT WAS ACTUALLY HAPPENING IN THEIR COUNTRY. I ALSO NOTED THE IMPORTANCE OF THE PARTICIPATION OF OTHER COUNTRIES TO OUR CONGRESSIONAL PRESENTATION COMING UP NEXT WEEK, AND URGED THAT THE PRESIDENT HAVE THE GOP FOLLOW THROUGH ON APPROACHES TO POTENTIAL PARTICIPANTS, WITH PARTICULAR EMPHASIS ON THE FRG. THE PRESIDENT SAID HE WOULD GET TOGETHER WITH SOARES IMMEDIATELY UPON THE LATTER'S RETURN AND PLAN A DIPLOMATIC OFFENSIVE. HE EMPHASIZED AGAIN THE IMPORTANCE HE ATTACHES TO THE LOAN AND THE DESIRE OF THE GOP TO MOVE AHEAD AS RAPIDLY AS POSSIBLE.
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